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China, Peoples Republic of

Oilseeds and Products

Oilseeds Update

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Report Highlights:

On January 27, China released the implementing regulations for the GMO management rule that was published on June 6, 2001. The possible impact on soybean trade is discussed. Updated statistics for sunflowerseed and peanuts are also included.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1], CH

Soybeans and Products

More Fun With GMOs

China's trade in soybeans continues to face a great deal of uncertainty. The two main sources of uncertainty are the January 7 publication of implementing regulations for China's GMO management rule, and the potential effects of a devaluation of the Argentine peso. The implementing regulations were published without warning in the Chinese language press, and are scheduled to go into effect on March 20. Many hoped that these regulations would, for better or worse, resolve some of the uncertainties surrounding the original rule, which was published on June 6, 2001. An initial reading, however, indicates that the implementing regulations are nearly as vague as the original rule. Phrases such as 'appropriate safety measures' are widely used but undefined. The new regulations also fail to mention any sort of provisions that would allow trade to continue while GMO products undergo China's safety certification process.

How the regulation will be enforced will be critical in determining the impact of a devaluation in the Argentine peso. If shipments are allowed to continue under the old rules until Roundup Ready (RR) soybeans can be registered, then trade will continue normally. Under these circumstances, Argentina can be expected to gain greater market share at the expense first of Brazil, which ships in the same season, then of the U.S. Another possibility is that trade on new contracts will not be allowed to proceed under the old rules while products are certified, but shipments on contracts signed prior to March 20 will be allowed under the old rules. This was more or less the case with the rule published on June 6, until the October agreement allowed new trade to resume. In this case, it is likely that traders will book a large number of cargoes from South America in advance of the March 20 deadline, as they did last June when the original rule was announced. As happened last summer, there is a high probability that these cargoes will overwhelm port facilities, resulting in port congestion and delays in unloading. A third case would allow no trade on new contracts, and would not allow shipments on old contracts to continue under the old rules. If this were the case, imports of RR soybeans from South America would be effectively blocked during their peak shipping season, and Chinese crushers would face a shortage of material for processing. While it seems unlikely that Chinese officials would allow the situation to reach this point, it is possible that they have not yet taken this into consideration.

The impact for U.S. exporters is not likely to be felt immediately, since the rule goes into effect during the main shipping season for South American soybeans. The rule allows the Ministry of Agriculture up to 270 working days to approve requests for a GMO safety certificate, which is the key document needed to import GMO cargoes. Although this implies a delay of up to one year, the Ministry of Agriculture has stated that most approvals will be processed within 3 months. At this point there is not enough detail to say with any accuracy how long it might take to apply for and receive certification.

Production, Supply and Distribution Update

The MY 01 forecast for China's soybean imports has been increased to reflect a return to last year's levels after a brief drop during late September and early October due to the uncertainty created by the June 6, 2001 GMO management rule. Trade returned to normal levels after the

U.S. and China reached an agreement that China would accept U.S. assurances on the safety of U.S. approved GMOs until the release of the implementing regulations for the Chinese GMO management rule. Nonetheless, the forecast for total soybean imports for MY 01 remains lower than MY 00, reflecting continued uncertainty surrounding the GMO management rule. U.S. market share is likely to deteriorate as devaluation of the peso makes Argentine soybeans more competitive, provided that implementation of the GMO management rule does not interfere with imports from South America during their peak season.

Declining prices for soybean meal and recent shipments of Chinese soybean meal have led to speculation that China may become a major exporter of soybean meal. There are several potential limiting factors, however. First, any interruptions in soybean trade resulting from implementation of the GMO management rule will also limit the amount of material available for export. It is impossible to tell at this point what the impact of the rule will be. Second, China imports far more fishmeal than soybean meal, most of which goes into similar uses. Changes in the availability of fishmeal could overwhelm emerging trends for soybean meal. Finally, devaluation of the peso could result in more aggressive competition from Argentina. Meal imports have been reduced sharply and exports increased slightly. Further revisions are likely as the situation becomes clearer. In particular, the soymeal import forecast is likely to fall further.

Only minor changes have been made in oil trade forecasts. Although China has agreed to a massive tariff-rate quota (TRQ) of 2.518 million MT for soybean oil as part of its WTO accession, it has yet to publish final regulations governing the quota, let alone actually issue the quota itself. Delays and confusion in implementing the quotas are likely to push back trade under the quota until later in the marketing year. The impact of the quotas should be much stronger in MY 02.

Sunflowerseed and Products

MY 00 sunflowerseed production estimates have increased sharply since the last report. The initial production number was based on industry estimates, which took into account poor weather in Inner Mongolia and Shanxi. Since then, the National Statistical Bureau (NSB) has released a revised estimate. This figure, almost double initial estimates, does not appear in the NSB Yearbook, but was instead published in a less widely distributed volume. No explanations were available for the change. Sunflowerseed crush has also been increased, and production of sunflowerseed oil was altered to match crush levels. Sunflowerseed imports were substantially lower than originally forecast, due to the larger than expected domestic crop. Nearly all imports came from the U.S. Exports to Western Europe have continued at high levels in what appears likely to be a long-term trend. Exports to Europe are dominated by kernels, while imports from the U.S. are dominated by in-shell sunflowerseeds.

Production, Supply and Distribution Tables

Soybeans and Products

Table 1. Soybeans

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Soybean					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	8000	8000	9200	9200	9000	9100
Area Harvested	8000	8000	9200	9200	9000	9100
Beginning Stocks	1900	1900	3170	3170	4261	4261
Production	14290	14290	15401	15401	15250	15450
MY Imports	10106	10106	13246	13246	12000	13000
MY Imp. from U.S.	4979	4979	6222	6222	4750	5000
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	26296	26296	31817	31817	31511	32711
MY Exports	230	230	208	208	220	200
MY Exp. to the EC	1	1	5	5	0	0
Crush Dom. Consumption	15070	15070	19500	19500	20000	21000
Food Use Dom. Consump.	6180	6180	6268	6268	6420	6470
Feed Waste Dom.Consum.	1646	1646	1580	1580	1550	1550
Total Dom. Consumption	22896	22896	27348	27348	27970	29020
Ending Stocks	3170	3170	4261	4261	3321	3491
TOTAL DISTRIBUTION	26296	26296	31817	31817	31511	32711
Calendar Year Imports	4319	4319	10419			0
Calendar Yr Imp. U.S.	2445	2445	4900			0
Calendar Year Exports	200	200	213			0
Calndr Yr Exp. to U.S.	1	1	0	0		0

Table 2. Soybean Meal

PSD Table						
Country:						
Commodity:	Soybean Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	15070	15070	19500	19500	20000	21000
Extr. Rate	0.784339	0.7843397	0.7846154	0.7846154	0.785	0.7833333
Beginning Stocks	0	0	0	0	0	0
Production	11820	11820	15300	15300	15700	16450
MY Imports	634	634	96	96	600	200
MY Imp. from U.S.	0	0	0	0	30	10
MY Imp. from the EC	0	0	1	1	0	0
TOTAL SUPPLY	12454	12454	15396	15396	16300	16650
MY Exports	29	29	113	113	70	120
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	1000	1000	1000	1000	1000	1000
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum.	11425	11425	14283	14283	15230	15530
Total Dom. Consumption	12425	12425	15283	15283	16230	16530
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	12454	12454	15396	15396	16300	16650
Calendar Year Imports	572	572				
Calendar Yr Imp. U.S.	85	85				
Calendar Year Exports	14	14				
Calndr Yr Exp. to U.S.						

Table 3. Soybean Oil

PSD Table						
Country:						
Commodity:	Soybean Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	15070	15070	19500	19500	20000	21000
Extr. Rate	0.16921	0.1692104	0.1717949	0.1717949	0.171	0.1709524
Beginning Stocks	190	190	280	280	280	280
Production	2550	2550	3350	3350	3420	3590
MY Imports	557	557	76	76	300	350
MY Imp. from U.S.	124	124	13	13	40	40
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	3297	3297	3706	3706	4000	4220
MY Exports	80	80	53	53	90	70
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consum.	2937	2937	3373	3373	3500	3700
Feed Waste Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	2937	2937	3373	3373	3500	3700
Ending Stocks	280	280	280	280	410	450
TOTAL DISTRIBUTION	3297	3297	3706	3706	4000	4220
Calendar Year Imports	804	804				
Calendar Yr Imp. U.S.	291	291				
Calendar Year Exports	43	43				
Calndr Yr Exp. to U.S.	0	0			0	0

Peanuts and Products

Table 4. Peanuts

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Peanut					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	4268	4268	4420	4600	4450	4800
Area Harvested	4280	4280	4420	4600	4450	4800
Beginning Stocks	0	0	0	0	0	0
Production	9290	9290	10611	10611	10600	10660
MY Imports	1	1	1	1	1	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	9291	9291	10612	10612	10601	10661
MY Exports	554	554	600	627	601	601
MY Exp. to the EC	177	177	100	216	150	190
Crush Dom. Consumption	4590	4590	4800	5066	4800	5060
Food Use Dom. Consump.	3545	3545	4532	4300	4550	4380
Feed Seed Waste Dm.Cn.	602	602	680	619	650	620
Total Dom. Consumption	8737	8737	10012	9985	10000	10060
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	9291	9291	10612	10612	10601	10661
Calendar Year Imports	1	1				
Calendar Yr Imp. U.S.	0	0				
Calendar Year Exports	466	466				
Calndr Yr Exp. to U.S.	4	4				

Table 5. Peanut Meal

PSD Table						
Country:						
Commodity:	Peanut Meal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	4590	4590	4800	5066	4800	5060
Extr. Rate, 999.9999	0.546623	0.546623	0.516666	0.546585	0.541666	0.54664
Beginning Stocks	0	0	0	0	0	0
Production	2509	2509	2480	2769	2600	2766
MY Imports	7	7	6	0	7	4
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2516	2516	2486	2769	2607	2770
MY Exports	9	9	7	16	8	12
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum.	2507	2507	2479	2753	2599	2758
Total Dom. Consumption	2507	2507	2479	2753	2599	2758
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2516	2516	2486	2769	2607	2770
Calendar Year Imports	6	6	8	8		
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	2	2	9	9		
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 6. Peanut Oil

PSD Table						
Country:						
Commodity:	Peanut Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	4590	4590	4800	5066	4800	5060
Extr. Rate, 999.9999	0.446623	0.446623	0.427083	0.444137	0.447917	0.448617
Beginning Stocks	0	0	0	0	0	0
Production	2050	2050	2050	2250	2150	2270
MY Imports	15	15	15	8	13	13
MY Imp. from U.S.	6	6	6	1	5	5
MY Imp. from the EC	4	4	5	1	3	3
TOTAL SUPPLY	2065	2065	2065	2258	2163	2283
MY Exports	14	14	15	15	16	16
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	2051	2051	2050	2243	2147	2267
Feed Waste Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	2051	2051	2050	2243	2147	2267
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2065	2065	2065	2258	2163	2283
Calendar Year Imports	16	16	10	10		
Calendar Yr Imp. U.S.	9	9	6	6		
Calendar Year Exports	12	12	15	15		
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sunflowerseed and Products

Table 7. Sunflowerseed

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Sunflowerseed					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	1140	1140	1250	1230	1000	1180
Area Harvested	1140	1140	1250	1200	1000	1180
Beginning Stocks	0	0	0	0	0	0
Production	1800	1800	2000	1954	1600	1770
MY Imports	11	11	16	6	13	10
MY Imp. from U.S.	9	9	15	6	11	9
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1811	1811	2016	1960	1613	1780
MY Exports	35	35	20	37	30	35
MY Exp. to the EC	9	9	6	14	9	15
Crush Dom. Consumption	654	654	990	703	590	649
Food Use Dom. Consump.	1050	1050	896	1130	928	1008
Feed Waste Dom.Consum.	72	72	110	90	65	88
Total Dom. Consumption	1776	1776	1996	1923	1583	1745
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1811	1811	2016	1960	1613	1780
Calendar Year Imports	12	12				
Calendar Yr Imp. U.S.	11	11				
Calendar Year Exports	15	15				
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 8. Sunflowerseed Oil

PSD Table						
Country:						
Commodity:	Sunflowerseed Oil					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Crush	654	654	990	703	590	649
Extr. Rate	0.2293578	0.2293578	0.2222222	0.227596	0.2288136	0.228043
Beginning Stocks	0	0	0	0	0	0
Production	150	150	220	160	135	148
MY Imports	1	1	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	151	151	220	160	135	148
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consum.	151	151	220	160	135	148
Feed Waste Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	151	151	220	160	135	148
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	151	151	220	160	135	148
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0